

SEC



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MISSION

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL

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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 10/01/10 AND ENDING 09/30/11
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SUN'S BROTHERS SECURITIES, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

363 DALENE WAY

(No. and Street)

HONOLULU,

HI

96821

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MIN WON YANG

(808) 538-0590

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LATHAM, DAVID E.

(Name - if individual, state last, first, middle name)

735 BISHOP STREET, SUITE 432, HONOLULU,

HI

96813

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

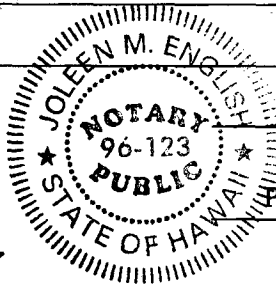
- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, MIN WON YANG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SUN'S BROTHERS SECURITIES, INC., as of SEPTEMBER 30, 20 11, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Signature]
Signature

PRESIDENT

Title

[Signature]

Notary Public Joleen M. English

State of Hawaii, My Commission Expires: Oct. 10, 2012

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Doc. Date: Nov. 28, 2011 # Pages: 15

Notary Name: Joleen M. English First Circuit

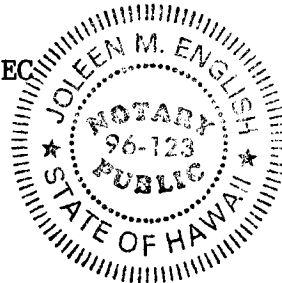
Doc. Description: Annual Audited Report - SEC

Form X-17A-5 Part III

[Signature]
Notary Signature

11/29/11
Date

NOTARY CERTIFICATION



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE: September 30, 2011

Sun's Brothers Securities, Inc.
(Name of Respondent)

700 Richards Street Suite 1009
(Address of principal executive office)



Min Won Yang
President
Sun's Brothers Securities, Inc.
700 Richards Street, Suite 1009
Honolulu, Hawaii 96813

(Name and address of person authorized to receive notices and communications from the Securities and Exchange Commission)

SUN'S BROTHERS SECURITIES, INC.
AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2011

Contents

Audited Financial Statements:

Accountant's Report	1
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Stockholder's Equity	4
Statement of Changes in Liabilities Subordinated to Claims of Creditors	5
Statement of Cash Flows	6
Notes to Financial Statements	7-8

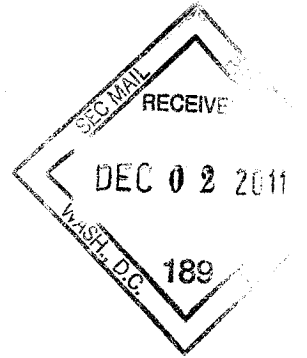
Other Financial Information:

Supplementary Information:

Computation of Net Capital	
Computation of Basic Net Capital Requirements	
Computation of Aggregate Indebtedness	9
Reconciliation of Computation of Net Capital Pursuant to Rule 15c3-1	10
Computation for Determination of Reserve Requirements	
Pursuant to Rule 15c3-3	11
Information Relating to The Possession on Control Requirements	
Under Rule 15c3-3	12

DAVID E. LATHAM
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT



To the Stockholder of
Sun's Brothers Securities, Inc.
Honolulu, Hawaii

I have audited the accompanying Statement of Financial Condition of Sun's Brothers Securities, Inc. of September 30, 2011, and the related Statements of Operations, Changes in Stockholder's Equity, Changes in Liabilities Subordinated to Claims of Creditors, and cash flows for the year. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun's Brothers Securities, Inc. as of September 30, 2011, and the results of its operations and its cash flows for the year, in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules on pages 9 through 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "David E. Latham".

November 28, 2011

SUN'S BROTHERS SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
SEPTEMBER 30, 2011

ASSETS

Current Assets - cash in bank	\$ 325
Property and equipment: Net of accumulated depreciation of \$9,230	1,091
Other Asset - cash on deposit with Broker-Dealer	44,753
Total Assets	<u>\$ 46,169</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities	\$ 51
Accounts payable	2,088
Commissions payable	261
Taxes payable	<u>2,400</u>
Total Current Assets	
Stockholder's equity:	
Common stock, \$1.00 par value;	1,000
1,000 Shares outstanding	67,810
Additional paid-in capital	(25,041)
Retained earnings (loss)	<u>43,769</u>
Total Stockholder's Equity	
Total Liabilities and Stockholder's Equity	<u>\$ 46,169</u>

See Notes to Financial Statements

SUN'S BROTHERS SECURITIES, INC.

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Revenue:	
Commissions	\$ 29,294
Interest	<u>127</u>
	\$ <u>29,421</u>
Expenses:	
Commissions and other employee compensation and benefits	\$ 1,294
Depreciation	1,276
Interest expense	107
State excise tax	492
Commissions paid to clearing broker	33,840
Rent	4,750
Penalties	1,074
Other operating expenses	<u>29,251</u>
	<u>72,084</u>
Net income before provisions for Income Tax	(42,663)
Income Tax	<u>-0-</u>
Net Income	\$ <u><u>(42,663)</u></u>

See Notes to Financial Statements

SUN'S BROTHERS SECURITIES, INC.

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Capital Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	
Balance at September 30, 2009	\$ 1,000	\$ 64,810	\$ 17,622	\$
Additional Capital Contributions		3,000		
Net Loss for period			(42,663)	\$
Balance at September 30, 2010	\$ <u>1,000</u>	\$ <u>67,810</u>	\$ <u>(25,041)</u>	\$

See Notes To Financial Statements

SUN'S BROTHERS SECURITIES, INC.

**STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF CREDITORS**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Activity during period	\$ - 0 -
Balance, September 30, 2011	\$ - 0 -

See Notes To Financial Statements

SUNS'S BROTHERS SECURITIES, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Cash flows from operating activities:	
Net income	\$ (42,663)
Adjustments to reconcile net loss to net cash provided by operations:	
Depreciation during period	1,276
Decrease in accounts receivable	1,174
Decrease in accounts payable	(1,076)
Increase in commissions payable	48
Decrease in rent payable	(6,000)
Decrease in wages payable	(975)
Decrease in taxes payable	(857)
	<hr/>
Net cash (used) by operating activities	\$ (49,073)
Cash flows from investing activities:	
Transfer from money market held by clearing broker	<hr/> 40,695
Net cash flows from investing activities	\$ 40,695
Cash flows provided by financing activities:	
Additions to paid in capital	<hr/> 3,000
Net cash provided by financing activities	\$ 3,000
Cash at September 30, 2010	\$ 5,703
Net decrease in cash	\$ (5,378)
Cash at September 30, 2011	\$ 325
Supplemental cash flow disclosure	
Income tax paid	\$ 0
Interest paid	107

See Notes To Financial Statements

SUN'S BROTHERS SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS September 30, 2011

Note A - Summary of Significant Accounting Policies:

Business activities:

Sun's Brothers Securities, Inc. was registered on December 16, 2002 as a Broker/Dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 with the National Association of Security Dealers, Inc. Central Registration Depository System.

In accordance with this registration the nature and scope of Sun's Brothers Securities, Inc.'s activities are to buy orders for the sale of mutual funds and securities, consulting, and related financial advisory services in the state of Hawaii. Sun's Brothers Securities, Inc is required to maintain a minimum "net capital" of \$5,000 at all times.

Cash and Cash Equivalents:

The Company considers all short-term investments with an original maturity of three months or less that are not required to be segregated under Federal or other regulations to be cash and cash equivalents.

Concentrations of credit risk:

The Company is engaged in various activities in private placement of securities in which counter parties, primarily broker-dealers, banks, and other financial institutions participate. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counter party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter party.

Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimated and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Income taxes:

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. The Company incurred a loss during the period. The resulting Net Operating Loss may be carried forward to offset future taxable earnings and thus reduced corporation taxes in future years. The accumulated net operating loss carry forward at September 30, 2011 was \$79,972.

SUN'S BROTHERS SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

Date of management's review

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through November 28, 2011 the date that the financial statements were available to be issued.

Property, equipment and depreciation:

Property and equipment are stated at cost.

Depreciation is computed using the accelerated method over the estimated useful lives of the assets, five years. Depreciation is provided under the modified accelerated cost recovery system (MACRS).

Note B - Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requirements that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1. At September 30, 2011, the Company had net capital of \$42,678 which was \$37,678 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 6% at September 30, 2011.

Note C - Fully Disclosed Clearing Agreement:

Sun's Brothers Securities, Inc. has a fully disclosed clearing agreement with a broker-dealer to execute orders, and the clearance and settlement of all transactions, for the Company's customers. As part of that agreement, the Company maintains a deposit of a minimum of \$25,000 with the clearing broker-dealer.

Note D - Related Party Transactions:

The Company has an expense agreement with Min Won Yang, sole stockholder in which the sole stockholder agrees to assume payment responsibilities for paying certain ongoing business expenses of Sun's Brothers Securities, Inc. including space rent, utilities and insurance required for office space, and related miscellaneous ongoing expense for the operation of the business.

Note E - Retirement Plan

The Company provides a SEP IRA retirement plan for its employees. At the discretion of the Company's management, the Company may provide contributions to the retirement plan of up to 25% of employee compensation. The company made no contribution for the year ended September 30, 2011.

SUN'S BROTHERS SECURITIES, INC.

**SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011**

COMPUTATION OF NET CAPITAL

Total ownership equity (from statement of financial condition)	\$ 43,769
Add:	
Allowable credits	-0-
Total capital and allowable credits	43,769
Deduct:	
Non-allowable assets	1,091
Net capital before haircuts on securities positions	42,678
Haircuts on securities	-0-
Net Capital	42,678

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital required: (6-2/3%) of aggregate indebtedness:	
Aggregate indebtedness	2,400
6-2/3% of above	160
Minimum dollar net capital requirement of broker-dealer	5,000
Net capital requirement (greater of above amounts)	5,000
Excess net capital	37,678

COMPUTATION OF AGGREGATE INDEBTEDNESS

Credit card payable	51
Payroll taxes and excise taxes payable	260
Commissions payable	\$ 2,089
Total Aggregate indebtedness	\$ 2,400
 Percentage of aggregate indebtedness to net capital	 <u>6%</u>

SUN'S BROTHERS SECURITIES, INC.

SUPPLEMENTARY INFORMATION

**RECONCILIATION OF COMPUTATION OF NET CAPITAL
PURSUANT TO RULE 15c3-1
SEPTEMBER 30, 2011**

Net capital per respondent's most recent X-17A-5, Part II		\$ <u>48,003</u>
Adjustment for:		
Decrease in cash	(1,761.00)	
Decrease in brokers money market account	(3,209.00)	
Decrease in accounts receivable	(789.00)	
Decrease in depreciation expense	(1,091.00)	
Decrease in accrued expenses	434.00	
Increase in nonallowable assets	<u>1,091.00</u>	<u>(5,325.00)</u>
Net capital per audited financial statements		\$ <u><u>42,678</u></u>

SUN'S BROTHERS SECURITIES, INC.

SUPPLEMENTARY INFORMATION

**COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS PURSUANT TO RULE 15c3-3
SEPTEMBER 30, 2011**

Credit balance in customers' security accounts	\$	- 0 -
Debit balance		- 0 -
Reserve computation:		
Excess of total debts over total credits		None
Required deposit		None

There is no material difference between the corporation's computation included in Part II of Form X-17A-5 as of September 30, 2011, and the computation presented.

SUN'S BROTHERS SECURITIES, INC.

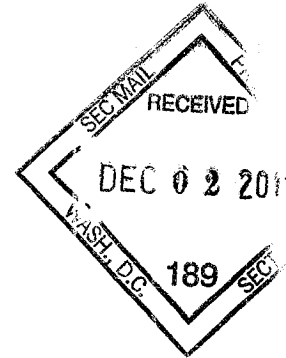
**INFORMATION RELATING TO THE POSSESSION
ON CONTROL REQUIREMENTS UNDER Rule 15c3-3
SEPTEMBER 30, 2011**

Sun's Brothers Securities, Inc. does not receive, directly or indirectly, or hold funds or securities for, or owe funds or securities and does not carry accounts of, or for, customers.

DAVID E. LATHAM
CERTIFIED PUBLIC ACCOUNTANT

November 28, 2011

To the Stockholder of
Sun's Brothers Securities, Inc.
Honolulu, Hawaii



I have examined the financial statements of Sun's Brothers Securities, Inc. for the year ended September 30, 2011, and have issued my report thereon dated November 28, 2011.

As part of my examination, I made a study and evaluation of the system of internal accounting control to the extent I considered necessary to evaluate the system, as required by generally accepted auditing standards and Rule 17a-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system, the procedures for safeguarding securities, and the practice and computations of aggregate indebtedness and net capital under Rule 17A-3(a) and (2) the reserve required by Rule 15c3-3(e).

Rule 17a-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness at the date of my examination would be disclosed. The purpose of such study and evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures necessary for expressing an opinion on the financial statements under generally accepted auditing standards and to provide a basis for reporting material weaknesses in internal accounting control under Rule 17a-5 and, with respect to rule 15c3-3, to provide reasonable assurance of compliance in all material respects with the possession and control requirements of that rule.

Sun's Brothers Securities, Inc. does not obtain or maintain physical possession or control of customers' funds or securities.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance concerning the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognized that the cost of a system of internal accounting control should not exceed the benefits derived therefrom, and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management. However, for the purposes of this report, under Rule 17a-5, the determination of weaknesses to be reported was made without considering the practicability of corrective action by management within the framework of a cost/benefit relationship.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented internally by management either with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of accounting control for the year ended September 30, 2011, made for the purpose set forth in the second paragraph, would not necessarily disclose all weaknesses in the system which may have existed during the period under review.

As a result of my audit observations, I found no weakness I believe to be material.

Yours very truly,

A handwritten signature in black ink, appearing to read "David E. Latham". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

DAVID E. LATHAM, C.P.A.

DEL/jme